At A Crossroads: Germany and the Syrian Refugee Crisis

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Introduction

Aid for refugees, an international matter for decades, is becoming much more controversial at a time when the need is growing. The Syrian refugee crisis captured the world’s attention, with Germany alone accepting more than one million refugees in 2015 (Noack, 2016). The influx continued in 2016, though to a less overwhelming degree, with upwards of 700,000 applicants for asylum (Asylum Information Database, 2017). The economic influence of these refugees is uncertain, and the choices that Germany makes concerning this group of people will shape its economic future. However, there are many unknowns relating to this influx, particularly with respect to the background of the immigrants. Germany has superficial experience with refugees, but several key pieces of legislation affect how they will move forward with the current crisis. The German Constitution originally included an absolute right to asylum, meaning that the government granted protection to anyone who applied, but said clause was modified in 1992 after a smaller wave of refugees. In these amendments a “safe list” was created, which restricted asylum access for immigrants from countries that Germany deemed “stable”. More recently, the German legislature passed Aslypaket I in October 2015 and Aslypaket II in January 2016 in response to the Syrian refugee crisis, which added several countries to the “safe list”, provided guidelines for handling unaccompanied minors, and outlined deportation procedures (Winslow, 2016). Although these legislative actions have structured how the crisis will be handled, they still need to be adjusted as the crisis develops.

Regarding the current inundation of refugees, several steps already taken by the German government foreshadow a notable economic shift within the country and the entirety of the
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European Union (EU). The first major transition was the reinstatement of border patrol between Germany and nearby nations. Additional countries in the EU also reinforced their borders, which calls into question the viability of the Schengen zone (the free-movement area created by the EU) going forward. The possible abolishment of the region would impact the world economy severely, according to P. Fargues, the director and founder of the Migration Policy Center, and C. Fandrich, a researcher at the Harvard (2012). Notwithstanding, Germany acts as a positive model for other countries dealing with refugee integration, which makes the government’s decisions especially influential. For example, the government initiated a two-year temporary residence program with ample opportunity for extensions and are working with Syrian groups and other countries to create a plan for economic and political reconstruction in areas affected by the civil war (Ostrand, 2015). Nevertheless, the challenges that the refugee influx poses leads to the question: What is the economic impact of the Syrian refugee crisis on Germany?

**Gross Domestic Product**

One of the first signifiers of economic change is fluctuation in a country’s gross domestic product (GDP), the value of all the goods and services produced within a country’s border. There is some doubt concerning the influence the refugees will have on GDP. According to a study executed by the International Monetary Fund (IMF), a nongovernmental organization that monitors the world’s economy, the initial spike in governmental funding to cover housing, food, health care, and other amenities for the refugees will cost between .12 and .27 percent of Germany’s GDP. This expenditure is estimated to be around 200 billion dollars. However, the IMF expects that Germany will quickly see a growth of its GDP as a result of refugees’ involvement in the economy. The IMF predicts a .3 percent growth by the end of 2017, and by
2020 the German GDP is predicted to see a .5 to 1.1 percent growth. Even so, the GDP per capita will be .4 percent lower, and if integration is not successful, government debt will increase dramatically as well (Aiyar et al., 2016). Shifts in the GDP can also lead to other economic consequences such as a decrease in access to capital if investors see a negative trend that will continue into the future. If this does occur because of the refugees, it will be important for the government to attempt to balance these subsequent repercussions.

**Employment and Wages**

The ramifications that refugees will have on native workers’ employment is a very sensitive one and has a substantial impact on the attitude of the German public towards the refugees. However, according to a study conducted by M. Foged and G. Peri from the University of Copenhagen and the Institute for the Study of Labor respectively, native workers who held low-skill jobs were likely to move into professions with less manual labor and higher wages when their professions were infused with newly-settled refugees. In addition, the complementary effect that the new, low-skilled workers have on higher level employees raised their salaries as well (2015). This is corroborated by a study published in The Economist, which concluded that a significant improvement in job quality occurred in native workers employed in manual labor. In terms of immediate impact on compensation, the study found that a ten percent increase in refugees only led to a two percent drop in wages which was then remedied by the phenomenon discussed above (For good or ill, 2016). Despite that, if refugees arrive during a recession or in times of high unemployment, wages and job availability can suffer for numerous years, as stated by V. Rietig, a researcher at the American Institute for Contemporary German Studies and The Centre for Global Study (2016). In accordance with this research, the German government can
accept as many refugees as needed without fear of damage to employment or salaries, but should carefully monitor the economy to ensure that refugees are not entering in numbers that the economy cannot handle.

Another aspect of wages and employment that should be considered is the future of refugees in Germany. R. Beyer examined this in a study done through the IMF, which analyzed data with respect to German immigrants from 1984 to 2013. This evaluation discovered that new immigrants’ wages are 20 percent lower than those of native workers, although this gap decreases if the immigrant is skilled in German or is from a relatively developed nation. Furthermore, immigrants are also considerably more likely to be unemployed, and while the wage gap converges after 20 years of working in Germany, immigrants always have a higher probability of being out of work (2016). Moreover, there are cultural factors to consider when discussing employment. For example, work is an essential part of American culture, and most citizens work for the sake of being productive rather than purely for money (Nixon, 1971). In Germany, refugees have to adjust to expectations concerning punctuality, reliability, and recognizing the authority of female bosses (Rietig, 2016). Although Germany has a plethora of opportunities compared to the conditions that the current refugees escaped, these disadvantages are important for the government to consider when deciding how many refugees can permanently settle after the crisis subsides.

**Dependency Ratio**

One of the serious economic challenges that Germany will undoubtedly face in the coming years is the significant bubble of elderly citizens that will need health care and other benefits without a comparatively large workforce. This balance is usually called the aged
dependency ratio (ADR): the number of citizens aged 65 and over divided by the number of people between 16 and 64 years old. The German government conducted a study in 2006 which evaluated the current ADR and predicted its growth until 2050. This examination concluded that the ADR will skyrocket, reaching 52 by 2030 and 64 by 2050 (Federal Statistical Office, 2006). An extremely high aged dependency ratio can lead to unsustainable government debt, large tax increases, and lowered interest rates which can severely damage economic growth according to another study carried out by the IMF (Clements, Dybczak, Gaspar, Gupta, & Soto, 2015). Many solutions have been discussed but there has not been a substitute found for a healthy workforce to counteract the rising ratio.

Be that as it may, calculations did not take into account immigration which provides an opportunity to balance out the ballooning elderly population. If integration is successful, the primarily young refugee influx will provide the workforce to support the aging natives, which was demonstrated in a study performed by H. Hinte from the Institute for the Study of Labor and K. Zimmerman from Bonn University. The research investigated the degree to which immigrants impact the welfare, unemployment, and pension system in Germany, and discovered that migrants contribute a net average of 35,500 euros to the system and native workers only contribute 14,000 euros on average (2014). This demonstrates a huge advantage to integrating immigrants into the economy since the benefit the welfare and pension systems to a much greater extent than natives. However, one possible downside to this could be a bump in the young dependency ratio as refugee families have much higher number of children on average. Despite this, the research suggests that it could be an overall gain for government programs.
Solutions and Limitations

Germany, like many countries, is working on possible solutions for managing the immediate impact and creating a long-term plan to successfully integrate the refugees. Current programs for immediate progress include German language classes, the Prototyping Transfer initiative which allows refugees to demonstrate skills through hands-on examinations rather than having to take written tests, and the Early Intervention strategy which also aids asylum-seekers in receiving skill recognition (Rietig, 2016). Nevertheless, these programs are still in their infancies and though ostensibly successful, it is still too early to make extended predictions. Several other possible steps would also be advised, including providing financial incentives for companies to hire refugees, increasing support for micro-financing (small loans given out to new business owners) to encourage entrepreneurship, and considering temporary exemptions from minimum wage laws for refugees, although this may lead to lengthy detrimental effects (Aiyar, 2016). A. Smith supports this in The Wealth of Nations, arguing that governments should not interfere with wages at all, and that the natural shifts of the economy will even out dips in wages over the long term (1776). In addition, refugees currently must be passed over for a job if a native worker applies for it 15 months after arrival. This significantly slows integration, so the government should consider lowering or abolishing preferential treatment for natives (Rietig, 2016). Generally, the German government should also increase funding for current language and skill-building initiatives since they have shown the most promise towards integration.

Looking forward, ensuring the possible long-term economic benefits requires launching programs for refugee children. Education is especially essential, and although these solutions are
not as immediately necessary the government should start addressing broader issues as soon as possible. Emphasizing language assistance, intercultural education, parental involvement will make these initiatives the most effective (Aiyar et al., 2016). Significant funding is required to implement this in the majority of the German education system; however, advantages will most likely outweigh short-term costs.

**Conclusion**

Although integrating Syrian refugees is a long and sometimes difficult process, many are confident that it can be achieved with mainly positive economic results for Germany. A dip in its GDP per capita over the next few years should be expected, but employment and wages will most likely not be affected. Moreover, immigrants will hopefully provide a much-needed boost to the aging workforce and offset the short-term GDP drop with a long-term gain. The key to realizing these positive outcomes will be proactive and progressive government policies to speed the integration process and shorten the time it takes the refugees to become economically productive. Some of these actions should include decreasing the period in which refugees must be passed over in favor of native workers, making it easier for educated refugees to have their skills recognized, and supporting companies who hire immigrants. The German government should also begin to implement longer term solutions such as programs for refugee children to ensure continual economic success. With these measures and the cooperation of the German public substantial progress is possible, ensuring the most beneficial outcome for all involved.


